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RUEHLP/AMEMBASSY LA PAZ 2360
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RUEHDG/AMEMBASSY SANTO DOMINGO 0320
RUEHAO/AMCONSUL CURACAO 1034
RUEHGL/AMCONSUL GUAYAQUIL 0681
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C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 002980

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E.O. 12958: DECL: 09/29/2016
TAGS: [ECON](#) [EINV](#) [PGOV](#) [VE](#)
SUBJECT: GOLF COURSE EXPROPRIATION UPDATE

REF: A. CARACAS 2656

[¶B.](#) CARACAS 2624
[¶C.](#) CARACAS 2620

Classified By: Economic Counselor Andrew N. Bowen for reason 1.4(d)

Summary

[¶1.](#) (C) One month after Caracas Municipal Mayor Barreto's expropriation decree, the two golf courses affected are preparing to submit their legal defense. The directors of the Valle Arriba Golf Club and the Caracas Country Club are confident the BRV will not move on the decrees until after the election, due to the immediate public backlash against the measures. They believe that Barreto's expropriations are a product of his personal differences with the Baruta and Chacao mayors, as well as an attempt to ingratiate himself with President Chavez by tackling the housing issue. Post is reviewing the effects of the decree on USG-owned properties, since the future Ambassador's residence and the current DCM's residence fall within the demarcated areas. End Summary.

Proposed Legal Action

[¶2.](#) (SBU) The August 24 expropriation decree (Ref A, B) affects the entire property of Valle Arriba Golf Club (VAGC) and a large portion of Caracas Country Club's (CCC) property. Both clubs are in close contact, but preparing separate legal defenses. According to Fernando Lozaya, the General Manager of the CCC, and Horacio Corredores, General Manager of the VAGC, the decree is poorly written and they are going to file an injunction in court, as well as a motion to bar the Mayor from taking any further action on the expropriation while the injunction is pending (a process they estimate will take 1.5-3 years). According to Venezuelan Expropriation

Law, the expropriating entity has six months to value the property and compensate the owner before occupying it.

¶3. (SBU) Corredores said his strategy is to keep a low profile, since the BRV "loves to argue." He and Lozaya believe that due to adverse public reaction to the decree, the government will hold off any further action until victory in the December 3 presidential election. Affected private homeowners in the Valle Arriba area are going to file a joint claim with VAGC via their neighborhood association. Neither manager has liaised with affected foreign missions, though Lozaya spoke with Belgian and Portuguese diplomats and Corredores asked to be informed if the USG is preparing any response.

Immediate and eventual consequences

¶4. (SBU) Surprisingly, the immediate consequences of the decree have been minimal: business is as usual, membership levels are steady, and there have been no squatters or National Guard troops. Lozaya said that the Municipal Registry is not allowing land title transfers for sales of properties in the Country Club area, based on the decree. According to Corredores, if the expropriations are carried out legally (owners are fairly compensated), VAGC shareholders would receive over four times the current market value of their shares based on actual property value. However, Corredores is confident the BRV would never pay, even if they reached a legal settlement.

¶5. (SBU) Both managers believe the BRV is more likely to turn

CARACAS 00002980 002 OF 002

their greens into parks rather than the housing projects Barreto proposed. Neither property is suitable for housing due to terrain quality and lack of urban infrastructure (roads, sewage, etc.). Corredores said he foresaw the BRV trying to take nine holes and leave the rest to the Club, but that the VAGC would fight any type of BRV attempt to expropriate.

Mayor drama

¶6. (C) Given that the decree was published two days after Barreto's tirade against opposition mayors Henrique Capriles (Baruta municipality) and Leopoldo Lopez (Chacao Municipality) (Ref C), political squabbling may have driven this expropriation move. Both managers believe that Barreto targeted their clubs, conveniently located in Baruta and Chacao, in order to attack his political adversaries. In addition, he may have sought to ingratiate himself with President Chavez by tackling the housing issue -- a hot topic for Chavez' voter base. So far, Lopez has been the only one to file a court motion against the decree. Corredores spoke with Capriles directly, who said that he would not file his own motion for "political reasons." (Note: He still has five months to do so. End Note.) Press coverage of the issue has waned, which many have interpreted as a sign that the threat of actual expropriation has blown over.

Post's Interest

¶7. (SBU) The coordinates outlined in the decree encompass the entire VAGC and surrounding areas, since they were based on an outdated 1931 zoning map. Within its boundaries lie the Ambassador's future residence, the DCM's current residence, and the Marine House (leased by the USG). Other foreign missions or residences, including the Mexican Embassy, are also reportedly included. Though public attention has turned away from the issue, and high-level BRV officials condemned

Barreto's actions, the fact remains that the decree is Venezuelan law and expropriation proceedings could continue at any time (unless barred by a Venezuelan court). Post is reviewing the legal basis of the decree as it pertains to USG properties.

Comment

18. (C) Though the general managers of the clubs seem fairly calm about this ordeal, at the same time they are getting their ducks in a row for what they see as an inevitable push for expropriation. They have no doubts that a Chavez victory will come in December, and with it increased radicalization. Venezuelans will not forego their private property rights quickly or willingly -- as Lozaya puts it: "most Venezuelans would rather belong to the Country Club than destroy it." Many analysts believe that Barreto's actions actually cost Chavez votes, and that the timing of his announcement completely backfired -- but the decree has not been repealed or overturned by a court, only verbally denounced. Though golf course expropriation may very well be off the BRV's agenda at least for this moment, the legal basis remains for the issue to flare up again if political will returns. End Comment.

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